



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Ted Stewart
Executive Director

James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

January 8, 1996

TO: Board of Oil, Gas and Mining

THRU: James W. Carter, Director *[Signature]*

THRU: D. Wayne Hedberg, Permit Supervisor/Lowell P. Braxton, Associate Director *[Signature]*

FROM: Anthony A. Gallegos, Senior Reclamation Specialist *[Signature]*

RE: Request for Board Approval, Amount and Form of Replacement Reclamation Surety, American Gilsonite Company (AGC), Bonanza Operations, M/047/010, Uintah County, Utah

The Division seeks Board approval of the amount and form of replacement reclamation surety provided by AGC for the Bonanza Operations, located in Uintah County, Utah. The form of surety is a Surety Bond, with United Pacific Insurance Company for the amount of \$324,900. There are no changes to the mining and reclamation plan associated with this new surety. The old surety previously posted by Chevron on behalf of AGC is being replaced at this time. United Pacific Insurance Company is listed on the 1995 Federal Register as an acceptable surety.

Attached for your review are copies of the following documents:

1. Summary checklist
2. Location map
3. Executive summary
4. Reclamation surety estimate
5. Reclamation Contract (From MR-RC)
6. Surety bond (Attachment B - MR Form 5)

Thank you for your time and consideration of this request.

jb
Attachments
M047010



DOGM MINERALS PROGRAM

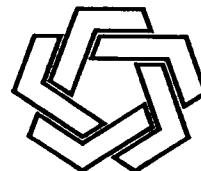
Checklist for Board Approval of FORM AND AMOUNT OF SURETY

Prepared January 8, 1996

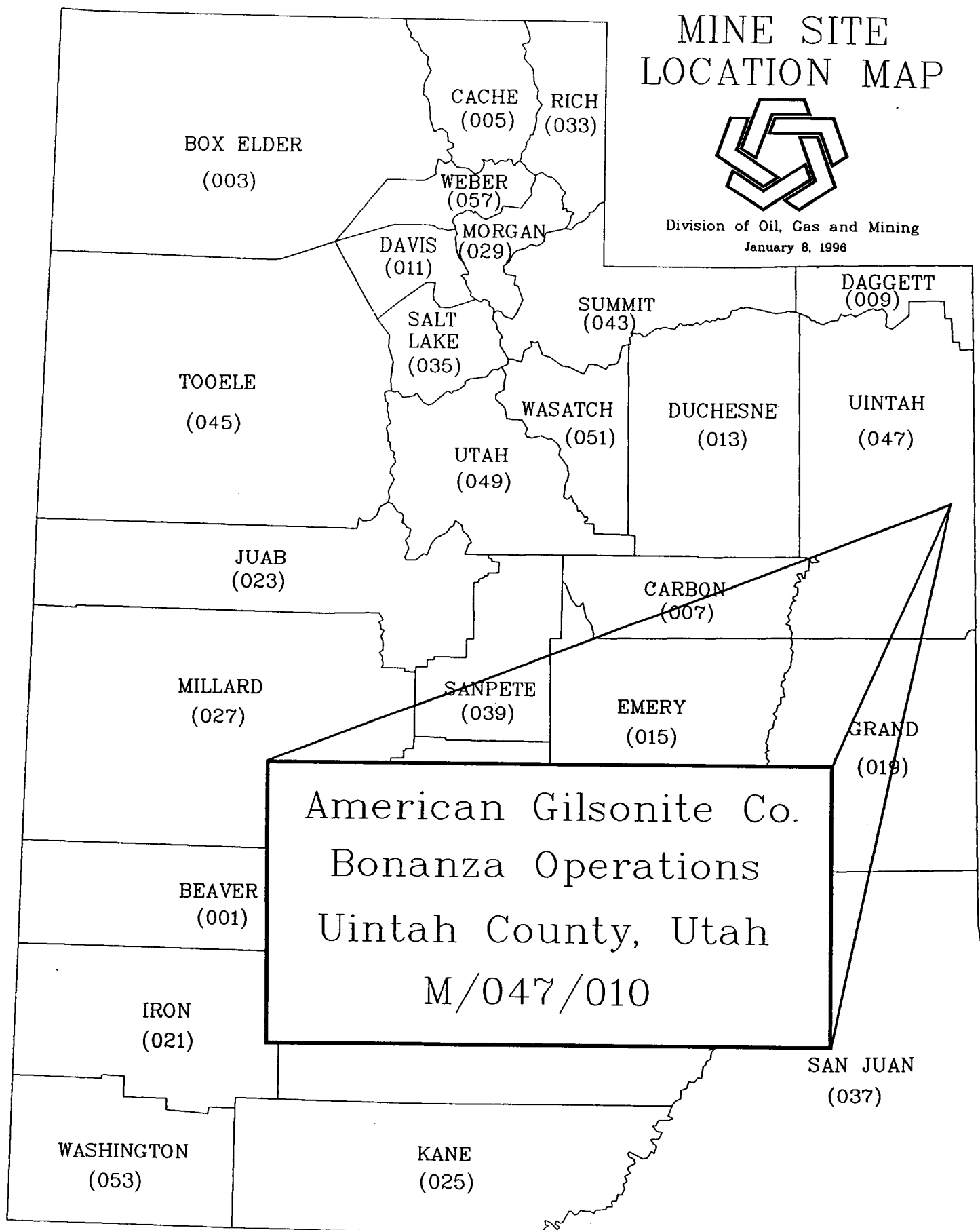
Company Name American Gilsonite Company
 Mine Name Bonanza Operations
 File No. M/047/010

Items	Provided		Remarks
	Yes	No	
Executive Summary	X		
Location Map	X		
Reclamation Bond Estimate	X		
Signed Reclamation Contract	X		
Signed Power of Attorney/ Affidavit of Qualification	X		
Bond/Reclamation Surety	X		
Surety Sign Off (Other State/Federal Agencies)		X	N/A
RDCC contacted		X	N/A

MINE SITE LOCATION MAP



Division of Oil, Gas and Mining
January 8, 1996



EXECUTIVE SUMMARY

Prepared January 5, 1996

Mine Name: Bonanza Operations

Operator: American Gilsonite Company
Bonanza, Utah 84008

Telephone: (801) 789-1921

Contact Person: Neldon Kunz

I.D. No: M/047/010

County: Uintah

New/Existing: Existing

Mineral Ownership: Private

Surface Ownership: Fed, State, Private

Lease No.(s): N/A

Permit Term: Life of Mine

Life of Mine: 30 years

Legal Description: T8S, R17E, Sec 32; T9S, R17E, Secs 5 & 4; T2S, R2E, Secs 18, 19 & 20; T8S, R24E, Sec 32; T9S, R23E, Secs 1, 10, 12, 15 & 25; T9S, R24E, Secs. 1, 2, 3, 7, 12, 15, 16, 17, 22, 23, 24, 25, 26, 27, 28, 29, 30, 32, 33, 34, 35 & 36; T9S, R25E, Secs 7, 8, 15, 16, 17, 21, 22, 23, 29, 30, 31, 32, & 33; T10S, R22E, Sec 24; T10S, R23 E, Secs 28, 30, 32 & 34; T10S, R24E, Secs 1, 2, & 3; T10S, R25E, Sec 6; T11S, R23E, Secs 1, 2, & 12; T11S, R24E, Secs 4, 5, 6, 7, 8, 9, 14, 15, 16, 17, 20, 22, 23, 24, 25, 26, 30, & 32; T11S, R25E, Secs 20, 21, 30, & 32; T12S, R24E, Sec 4; T12S, R25E, Secs 4, 5, 9, 10, 11, 12, 13, 14 15, & 24

Mineral(s) to be Mined: Gilsonite

Mining Methods: Underground modified room and pillar

Acres to be Disturbed: 107.2

Present Land Use: Mining, wildlife and livestock grazing

Postmining Land Use: Wildlife and livestock grazing

Variances from Reclamation Standards (Rule R647) Granted: None

Soils and Geology:

Soil Description: Soils are loamy and generally low in organic matter. Depth of soil material suitable for reclamation averages 5.5 inches.

pH: 7.8-8.7

Special Handling Problems: None

Geology Description: Ore is up to 100 feet below surface and discharged as per NPDES permits.

Hydrology:

Ground Water Description: Perched ground water has been encountered during mining. This is pumped to the surface and discharged as per NPDES permits.

Surface Water Description: Coyote Wash supports an ephemeral stream, which only flows for one or two months during spring runoff.

Water Monitoring Plan: Water to be discharged is monitored for compliance with NPDES permit.

Ecology:

Vegetation Type(s); Dominant Species: Shadscale, sagebrush, pinyon-juniper; Utah juniper-pinyon pine, black sage, shadscale, Western wheatgrass, squirreltail

Percent Surrounding Vegetative Cover: 4.3% - 25.85% (average 14.99%)

Wildlife Concerns: None

Surface Facilities: Each mine site contains facilities, usually hoist house, head frame, compressor, supply building. Processing and storage facilities are centralized.

Mining and Reclamation Plan Summary:

During Operations:

1. American Gilsonite operates approximately 30 one-acre mine site on their properties. Facilities at each mine site include a headframe, hoise house, compressor, and storage areas. Mine sites are fenced. The life of each individual minesite varies between 5 and 10 years depending on the type of ore and market conditions.
2. Gilsonite ore is processed and blended in facilities at Bonanza. The ore is trucked to and from the processing plant.
3. Sediment ponds are constructed on sites where water is produced in the mine. American Gilsonite Company has an NPDES discharge permit to discharge this water into natural drainages after proper settling and gravel filtration occurs.
4. Topsoil has been salvaged on recently disturbed mine sites, and is protected. American Gilsonite Company has implemented a series of test plots to determine how best to reclaim areas of previous disturbance, some of which have gilsonite fines mixed into the soil..

Following Operations:

1. Reclamation will begin within 6 months of abandonment of individual mine sites, during the fall of the year.
2. Sites will be ripped and recontoured. Slopes will not exceed 2H:1V.
3. Soils will be analyzed at the time of reclamation to determine their suitability for supporting vegetation. Soil amendments will be made based on results of this analysis.

4. Mulch may be used, depending on the results of the test plots. Seeding may be done by broadcast or drilling methods.
5. All ponds will be reclaimed as above and left non-impounding.

Surety:

Amount: \$324,900

Form: Surety

Renewable Term: 5 years (1999)

SURETY ESTIMATE UPDATE

DRAFT

American Gilsonite Company (AGC)

filename M47-10UP.WQ1

Bonanza Operations

M/047/010

Uintah County

Prepared by Utah Division of Oil, Gas & Mining

Last Update

05/10/94

DESCRIPTION:

- This update is based on the 11/24/92 reclamation estimate
 - Total estimate base amount was \$281,149 in 1992 dollars
 - Disturbed acreage = minesites (33), roads (43), facilities (31.2)
- This updates the base amount to 1994 dollars and escalates 5 years forward
- Escalation factors through 1993 are actual Means Historical Cost Indices
 - Total disturbed area = 107.2 ACRES

CALCULATIONS		ESCAL	BOND
$F = P(1 + i)^{**n}$	YR	FACTOR	AMOUNT
F = Future Sum			
P = Present Sum	1988	0.0181	\$0
i = Escalation Factor	1989	0.0177	\$0
n = number of periods	1990	0.0077	\$0
	1991	0.0127	\$0
BASE AMOUNT=>	1992	0.0221	\$281,149
	1993	0.0254	\$288,290
	1994	0.0201	\$294,085
Three Yr Average = 2.01%	1995	0.0201	\$299,996
Used to Project 5 Yrs	1996	0.0201	\$306,026
Into the Future	1997	0.0201	\$312,177
From the Year 1994	1998	0.0201	\$318,452
	1999	0.0201	\$324,853
Updated Surety Amount Rounded (1999 \$)			\$324,900

** Average cost per acre = 3,031 (\$/ACRE)

NOTE: Previous Division estimate was \$299,500 (1998 \$)

RECLAMATION ESTIMATE REVISION

American Gilsonite Company (AGC)

Reformatted Mine Permit received 8/11/92

M/047/010

last revision

M47-1 ONE.WQ1

page 1 of 3

Uintah County

11/24/92

Prepared by Utah State Division of Oil, Gas & Mining

Reclamation Details

- This estimate is based on AGC's reformatted mine permit received Aug. 11, 1992
- Reclamation of all mine sites & facilities is included in this estimate
- Revised pages 4a & 4b list 35 mine sites with 1 site reclaimed, 2 sites are one-half acre
- ASSUME: 23 sites w/equip, 2 sites w/out equip, 8 sites reseeding only
- Sites without equipment involve reclaiming & reseeding activities only
- No post-mining use of structures was assumed, reclamation involves total removal/demolition of all structures
- Disturbed acreage = 33 minesites, 43 roads, 31.2 facilities => 107.2
- Site I-30 is bonded with State Lands, ML31934

Description	# Units	\$/Unit	Cost(\$)
Reclamation Per Mine Site			
Dismantling - crane	4 hr	98	392
Dismantling - crane operator	4 hr	22	88
Dismantling - laborers	16 hr	17	272
Dismantling - dozer	4 hr	101	404
Dismantling - dozer operator	4 hr	22	88
Shaft capping - laborer	16 hr	17	272
Shaft capping - supplies, materials	1 ea	600	600
Reclaiming - dozer	4 hr	101	404
Reclaiming - dozer operator	4 hr	22	88
Reseeding - mtl's: seed/mulch/fertilizer	1 acre	223	223
Reseeding - apply mulch & fertilizer	1 acre	45	45
Reseeding - tractor & seed drill	2 hr	48	96
Reseeding - tractor operator	2 hr	17	34
Subtotal per mine site			3,006
*23 sites minus 1 State Lands			
23 sites with equipment	22 *	3,006	66,132
2 sites without equipment	2	890	1,780
8 sites reseeding only	8	398	3,184
SUBTOTAL - ALL MINE SITES			71,096

last revision

11/24/92

OPERATIONAL FACILITIES

	\$/Unit	# Units	Cost(\$)
Ten laborers	170 \$/day	42	7,140
Two dozers	1,616 \$/day	21	33,936
Two dozer operators	44 \$/day	21	924
One crane	784 \$/day	42	32,928
One crane operator	176 \$/day	42	7,392
Two tractor trailers	10,000 \$/mo	2	20,000
Two tractor trailer operators	352 \$/day	42	14,784
One FE loader	320 \$/day	42	13,440
One FE loader operator	176 \$/day	42	7,392
Seed, mulch, fertilizer	223 \$/acre	24.6	5,486
Applying mulch & fertilizer	45 \$/acre	24.6	1,107
One farm tractor & seed drill	384 \$/day	2	768
One tractor operator	136 \$/day	2	272
Subtotal operational facilities			145,569

ROADS

Motor grader	720 \$/day	3	2,160
Motor grader operator	176 \$/day	3	528
Seed, mulch, fertilizer	223 \$/acre	43	9,589
Applying mulch & fertilizer	45 \$/acre	43	1,935
One farm tractor & seed drill	384 \$/day	2	768
One tractor operator	176 \$/day	2	352
Subtotal roads			15,332

STORAGE PONDS, PADS, RESERVOIRS

One dozer	808 \$/day	6	4,848
One dozer operator	176 \$/day	6	1,056
Seed, mulch, fertilizer	223 \$/acre	4.3	959
Applying mulch & fertilizer	45 \$/acre	4.3	194
One farm tractor & seed drill	384 \$/day	2	768
Subtotal ponds, pads reservoirs			7,824

RECLAMATION ESTIMATE REVISION
 American Gilsonite Company (AGC)
 Reformatted Mine Permit received 8/11/92
 M/047/010

page 3 of 3
 Uintah County

last revision 11/24/92

RESIDENTIAL AREA	\$/Unit	# Units	Cost(\$)
One Dozer	808 \$/day	5	4,040
One dozer operator	176 \$/day	5	880
One FE loader	320 \$/day	5	1,600
One FE loader operator	176 \$/day	5	880
One tractor trailer	400 \$/day	2	800
One tractor trailer operator	176 \$/day	2	352
Ten laborers	170 \$/day	12	2,040
Seed, mulch, fertilizer	223 \$/acre	2.3	513
Applying mulch & fertilizer	45 \$/acre	2.3	103
One farm tractor & seed drill	384 \$/day	1	384
One farm tractor operator	176 \$/day	1	176
Subtotal residential area			11,768

RECLAMATION SUMMARY	
ACTIVE MINE SITES	66,132
MINE SITES WITHOUT EQUIPMENT	1,780
MINE SITES NEEDING RESEEDING ONLY	3,184
OPERATIONAL FACILITIES	145,569
ROADS	15,332
STORAGE PONDS, PADS & RESERVOIRS	7,824
RESIDENTIAL AREA	11,768
MOBILIZATION (4 PIECES)	4,000
SUBTOTAL	255,590
+ 10% CONTINGENCY	25,559
SUBTOTAL	281,149
+ 5 yr ESCALATION(1.27%)	18,312
TOTAL	299,461
ROUNDED TOTAL IN 1998-\$	\$299,500
Average cost per acre =	2,794 \$/acre

FORM MR-RC
Revised June 7, 1995
RECLAMATION CONTRACT

File Number M/047/010

Effective Date _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
(801) 538-5340

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

M/0047/010Gilsonite

"MINE LOCATION":

(Name of Mine)

Bonanza Mine Site

(Description)

33 Miles South of VernalUinta CountyUtah

"DISTURBED AREA":

(Disturbed Acres)

107.2

(Legal Description)

(refer to Attachment "A")

"OPERATOR":

(Company or Name)

American Gilsonite Company

(Address)

136 East South Temple, Suite 1460Salt Lake City, UT 84111

(Phone)

801-524-7900

"OPERATOR'S REGISTERED AGENT":

(Name)

Clifford O. Doner

(Address)

136 East South Temple, Suite 1460
Salt Lake City, UT 84111

(Phone)

801-524-7900**"OPERATOR'S OFFICER(S)":**Roy E. Nelson, CEOK. Clark Christensen, COOClifford O. Doner, CFO**"SURETY":**

(Form of Surety - Attachment B)

Surety Bond**"SURETY COMPANY":**United Pacific Insurance Company

(Name, Policy or Acct. No.)

Bond No. U89 75 80-35**"SURETY AMOUNT":**

(Escalated Dollars)

\$324,900**"ESCALATION YEAR":**1999**"STATE":**State of Utah**"DIVISION":**Division of Oil, Gas and Mining**"BOARD":**Board of Oil, Gas and Mining**ATTACHMENTS:**

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between American Gilsonite Co. the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/0047/010 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated 12/5/83, and the original Reclamation Plan dated 12/5/83. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

Clifford O. Doner

Authorized Officer (Typed or Printed)


Authorized Officer's Signature

12-27-95
Date

SO AGREED this _____ day of _____, 19____.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY _____
Dave D. Lauriski, Chairman
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By _____
James W. Carter, Director


Date _____

STATE OF _____)
COUNTY OF _____) ss:

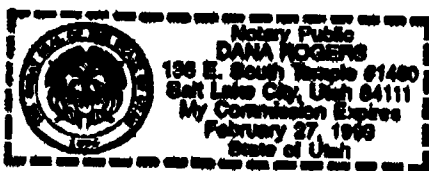
On the _____ day of _____, 19 _____, personally appeared before me, who being duly sworn did say that he/she, the said _____ is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.


Notary Public
Residing at: __________
My Commission Expires:

OPERATOR:

American Gilsonite CompanyOperator NameBy Chief Financial OfficerCorporate Officer - Position12-27-95
Date
SignatureSTATE OF UTAH)
COUNTY OF Salt Lake) ss:

On the 27th day of December, 19 95, personally
appeared before me Clifford O. Doner who
being by me duly sworn did say that he/she, the said Clifford O. Doner
is the Chief Financial Officer of American Gilsonite Company
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its bylaws or a resolution of its board of directors and said
Clifford O. Doner duly acknowledged to me that said
company executed the same.




Notary Public
Residing at: 579 NE Capital Street
Salt Lake City, Utah 84103

February 27, 1999
My Commission Expires:

ATTACHMENT "A"

American Gilsonite Company
Operator

Bonanza Gilsonite Operation
Mine Name

M/047/010
Permit Number

Uintah County, Utah

The legal description of lands to be disturbed is:

Approximately 107.2 acres within the areas described by
attached pages 4B and 4C, both revised 3/29/89.